

### SECTION 3. QUANTITY.

- (a) Morrell agrees to accept delivery and purchase from Producer, and Producer agrees to deliver and sell to Morrell, Producer's Total Production, subject to the following terms and conditions:
  - (i) Producer shall deliver and sell to Morrell during each Delivery Year at least the number of Market Hogs determined by multiplying the Annual Projected Total Production in effect for such Delivery Year by 85%, even if that number of Market Hogs exceeds Producers Total Production during such Delivery Year.
  - (ii) Morrell shall not be obligated to accept delivery and purchase from Producer during any delivery year more Market Hogs than the number of Market Hogs determined by multiplying the Annual Projected Total Production in effect for such delivery year by 115%.
  - (iii) Morrell shall have the right at any time and from time to time during the Term of this Agreement to vary the Weekly Projected Total Production of Market Hogs to be delivered by Producer by notifying Producer in writing of such variance, and the duration of such variance, at least two weeks prior to the effective date of such variance. Notwithstanding any such variance, Producer shall deliver and sell to Morrell and Morrell shall accept and pay for the number of Market Hogs as set forth in paragraphs 3(a)(i) and 3(a)(ii) of this Agreement.
  - (iii) Any Market Hogs available for sale and delivery by Producer in excess of the amount in subsection (ii) above may be sold by Producer to anyone else, subject, however, to Morrell's first right to purchase such Market Hogs as set forth in paragraph 3(b) of this Agreement.
- (b) Producer hereby grants to Morrell for each year of the Term of this Agreement the first right to purchase all of Producer's Total Production of Market Hogs in excess of the number of Market Hogs set forth in Producer's Projection Certificate as Producer's Annual Projected Total Production for each such year. Producer represents and warrants to Morrell that it has, as of the date of this Agreement, no outstanding rights, options or other contractual obligations pursuant to which it is or may be obligated to sell Market Hogs to any person or entity other than Morrell at any time during the Term or any renewed or extended term of this Agreement and that Producer's grant to Morrell of the right described in this Section 3(b)